

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2008 Second Round Cycle**  
**October 8, 2008**  
**REVISED**

**Project Number** CA-2008-178

**Project Name** Villa Siena Apartments

Site Address: 131 W Putnam Avenue  
Porterville, CA 93257

County: Tulare

Census Tract: 0038.02

**Applicant Information**

Applicant: Porterville Housing Partners, L.P.

Contact: Elva L. Grant

Address: 1008 Second Street  
Sacramento, CA 95814

Phone: (916) 281-2472

Fax: (916) 554-7502

Email: elvagrant@covad.net

General Partners(s) Type: Nonprofit

**Information**

Set-Aside: N/A

Housing Type: Large Family

Geographic Area: Central (Tulare)

**Eligible Basis**

Requested: \$9,995,895

Actual: \$9,995,895

Maximum Permitted: \$13,387,872

**Adjustments to Threshold Basis Limit:**

a) Required to Pay Prevailing Wages: 20%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,018,782	\$0
Recommended:	\$1,018,782	\$0

**Project Information**

Construction Type: New Construction

Federal Subsidy: N/A

Total # of Units: 70

Total # Residential Buildings: 6

**Income/Rent Targeting**

Federal Set-Aside Elected: 40%/60%

% & No. of Tax Credit Units: 100% - 69 units

Breakdown by %: 10% @ 30%, 10% @ 40%, 50% @ 50%

<b>Selection Criteria</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b><i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum of 20 points</b>	<b>20</b>	<b>20</b>	<b>20</b>
<input checked="" type="checkbox"/> Cost Efficiency	18	15	15
<input checked="" type="checkbox"/> Credit Reduction	20	2	2
<input checked="" type="checkbox"/> Public Funds	18	3	3
<b><i>Owner / Management Characteristics</i> Maximum of 9 points</b>	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<b><i>Housing Needs</i> Maximum of 10 points</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b><i>Site Amenities</i> Maximum of 15 points</b>	<b>15</b>	<b>15</b>	<b>15</b>
<input checked="" type="checkbox"/> Within 500 feet of a regular bus stop or rapid transit system stop	4	4	4
<input checked="" type="checkbox"/> Within ¼ mile of public library	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce	3	3	3
<input checked="" type="checkbox"/> Large Family project within ¼ mile of public school that project children may attend	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	2	2	2
<b><i>Service Amenities</i> Maximum of 10 points</b>	<b>10</b>	<b>10</b>	<b>10</b>
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
<input checked="" type="checkbox"/> Bona fide service coordinator available	5	5	5
<b><i>Neighborhood Revitalization</i> Maximum of 9 points</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b><i>Sustainable Building Methods</i> Maximum of 8 points</b>	<b>8</b>	<b>8</b>	<b>8</b>
<input checked="" type="checkbox"/> Energy star rated ceiling fans in bedroom/living room; whole house fan; economizer	2	2	2
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
<b><i>Lowest Income</i> Maximum of 52 points</b>	<b>52</b>	<b>52</b>	<b>52</b>
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b><i>Readiness to Proceed</i> Maximum of 20 points</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b><i>State credit substitution</i> Maximum of 2 points</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Points</b>	<b>155</b>	<b>155</b>	<b>155</b>

### **Tie-Breaker Information**

Tie-Breaker Categories Apply to this Project: **Yes**

First: Housing Type **Large Family**

Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **Yes**

Third: Calculated Ratio per Regulation 10325(c)(12) **78.157%**

### 2008 Rents for 2<sup>nd</sup> Round 2008

<u>Unit Type &amp; Number</u>	<u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
2 One-Bedroom Units	30%	\$302
3 One-Bedroom Units	40%	\$403
12 One-Bedroom Units	50%	\$504
7 One-Bedroom Units	60%	\$605
2 Two-Bedroom Units	30%	\$363
2 Two-Bedroom Units	40%	\$484
6 Two-Bedroom Units	50%	\$605
5 Two-Bedroom Units	60%	\$726
3 Three-Bedroom Units	30%	\$419
2 Three-Bedroom Units	40%	\$559
17 Three-Bedroom Units	50%	\$699
8 Three-Bedroom Units	60%	\$839
1 Three-Bedroom Units	Manager's Unit	\$839

The general partner or principal owner is Housing Alternatives, Inc.

The project developer is Housing Alternatives, Inc.

The management agent is Brackenhoff Management.

The market analyst is Novogradac & Company, LLP.

The Local Reviewing Agency, City of Porterville, has completed a site review of this project and strongly supports this project.

### Project Financing

Estimated Total Project Cost: \$15,349,785 Per Unit Cost: \$215,456 Construction Cost Per Sq. Foot: \$135

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Citi Community Capital	\$9,096,228	CCRC	\$1,910,386
Johnson Capital - Commercial	\$267,848	Developer Note	\$426,291
Deferred Costs	\$1,181,726	Federal Home Loan Bank - AHP	\$850,000
Investor Equity	\$4,803,983	City of Porterville - RDA	\$500,000
		Johnson Capital – Commercial	\$267,848
		HCD Infrastructure Grant	\$2,379,944
		Investor Equity	\$9,015,316
		<b>TOTAL</b>	<b>\$15,349,785</b>

### Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,995,895
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$259,893
Qualified Basis:	\$12,734,770
Applicable Rate:	8.00%
Total Maximum Annual Federal Credit:	\$1,018,782
Total State Credit:	\$0
Approved Developer Fee:	\$1,030,000
Tax Credit Factor: Multi-Housing Partners, LLC	\$0.8849

Applicant requests and staff recommends annual federal credits of \$1,018,782, based on a qualified basis of \$12,734,770 and a funding shortfall of \$9,015,316.

### Cost Analysis and Line Item Review

The requested eligible basis \$9,995,895 is below TCAC's threshold basis limit \$13,387,872. The basis limit was increased by the following extraordinary features: is required to pay state or federal prevailing wages. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one.

Staff has calculated federal tax credits based on 8.00% of the qualified basis, or, in the case of acquisition Credit or Credit combined with federal subsidies, 3.50%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

**Special Issues/Other Significant Information:** Staff noted that the preliminary architectural drawings indicated that some of the 3-bedroom units did not meet the 1,000 square feet of living space minimum requirement pursuant to TCAC Regulation section 10325(g)(1)(B). Please note that these minimums must be met when the final architectural drawings are completed and the project is constructed. Please see "Legal Status" section below.

**Legal Status:** Issues related to disclosures have yet to be resolved.

**Recommendation:** Staff recommends that the Committee make a preliminary reservation of tax credits, in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

**Federal/Annual**  
**\$1,018,782**

**State/Total**  
**\$0**

### **Standard Conditions**

An application for a carryover allocation must be submitted by **October 31, 2008**, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the “10%” test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of **federal credit shown** above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants.

Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(8) at project completion.

Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2)(P) at project completion.

**Additional Conditions**

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **March 9, 2009**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

**Project Analyst: Velia Martinez**